

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5000-01
Bill No.: Perfected HB 1441
Subject: Unemployment Compensation; Workers Compensation; Employment Security
Type: Original
Date: February 23, 2012

Bill Summary: This proposal would modify certain provisions relating to the Workers' Compensation and Unemployment Compensation programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Workers' Compensation	\$75,000	\$75,000	\$75,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$75,000	\$75,000	\$75,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Unemployment Compensation Administration	\$112,057	\$126,732	\$128,694
Total Estimated Net Effect on <u>All</u> Federal Funds	\$112,057	\$126,732	\$128,694

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

Officials from the **Office of Administration, Division of General Services, (GS)** assume this proposal would have no fiscal impact to their organization. GS officials stated that this proposal would make some changes to the state Workers' Compensation program but only to allow for some cleanup language.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would make changes to the Workers' Compensation and Unemployment Compensation programs.

ASSUMPTION (continued)

Section 288.805 RSMo

The changes would amend provisions concerning director approved training. Under current law, individuals in such training programs must provide a written weekly certification confirming that they are enrolled in and satisfactorily pursuing the training course. Current law only holds them ineligible for the week in which they do not submit a certification.

This proposal would require certification on a quarterly basis and would also change the provisions regarding failure to submit the required certification. If claimants fail to submit the certification, they would be ineligible to receive any benefits during that quarter.

The Division of Employment Security (DES) would experience an administrative savings as a result of this bill. Currently, four claims examiners process the incoming weekly certification documents. It is estimated that each claims examiner spends four hours of an eight hour work day processing incoming weekly certification documents. Assuming 2,080 hours of work in a year, the current process requires 4,160 hours of claim examiners' time to process these certifications. The average claims examiner makes \$41,473 per year, including benefits, or \$20.95 per hour, including benefits. The estimated personal services cost under current provisions would be $(2 \times \$41,473) = \$82,946$.

DES officials estimated that under the proposed legislation, the claims examiners would spend 20 hours each quarter to process the incoming certification documents. The proposed process would require $(4 \text{ processors} \times 20 \text{ hours} \times 4 \text{ quarters}) = 320$ hours of claims examiners' time to process these certifications. Thus, DES would pay claims examiners an estimated $(320 / 4,160 \text{ hours})$ or 7.69 % of the \$82,946 current cost $(\$82,946 \times .0769) = \$6,380$ to process these weekly certifications, resulting in a savings of $(\$82,946 - \$6,380) = \$76,566$. Assuming that this bill would not be effective until two months after the start of the state fiscal year, the DES would see a savings of approximately $(10/12 \times \$76,566) = \$63,805$ in FY 2013. Using a 2.5% projected increase in salary and fringe benefits in fiscal years 2014-2015, the DES would see a savings of approximately \$78,480 in FY 2014 and \$80,442 in FY 2015. Additionally, the changes to this section may result in postage or paper supply savings.

ASSUMPTION (continued)

Section 288.130 RSMo

Current law requires employers with more than 250 employees to file these reports using magnetic tape or diskette. This proposal would reduce this number to 50 employees and would allow employers to file their reports in any electronic format prescribed by the DES.

In FY 2011, there were 1,569 employers with 50 to 249 employees which filed paper wage and contribution reports. These employers had an average of 143,451 wage items per quarter. Assuming the DES processing cost is \$0.04 per wage item, the DES would have saved an estimated \$22,952 per year in FY 2011 in data entry costs had these employers filed electronically. These data entry costs are paid from the Unemployment Compensation (UC) Administration Fund.

Section 288.160 and 288.170 RSMo

The proposed change would allow the DES to send assessments of owed taxes, interest, and penalties by registered or certified mail to the last known address of the employer. Current law only allows the DES to personally serve such assessments or send them via registered mail.

The DES issues an estimated 22,000 certificates of assessment annually. The current cost to mail an assessment is \$4.44 and the cost to mail an assessment under the proposed change would be \$3.29. The estimated annual savings is $(22,000 \times (\$4.44 - \$3.29)) = (22,000 \times \$1.15) = \$25,300$ for the UC Administration Fund.

Section 288.250 RSMo

The proposed legislation would allow the Division of Workers' Compensation (DWC) to serve or send any notices by electronic means, with the exception that any notices required to be sent to an employee not represented by counsel be sent by registered or certified mail. The DWC estimates a yearly savings of \$75,000 in postage, paper and toner.

ASSUMPTION (continued)

Summary

The DOLIR response indicated savings as follows for the proposal.

Workers' Compensation Fund

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Section 288.250 -			
Postage, paper, and toner	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>

Unemployment Compensation Administration Fund

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Section 288.055 - Salary and benefits	\$63,805	\$78,480	\$80,442
Section 288.130 - Quarterly wage reports	\$22,952	\$22,952	\$22,952
Section 288.160 and 288.170 - Mailing	<u>\$25,300</u>	<u>\$25,300</u>	<u>\$25,300</u>
Totals	<u>\$112,057</u>	<u>\$126,732</u>	<u>\$128,694</u>

Officials from the **Department of Conservation**, the **Department of Transportation**, and the **University of Missouri** assume this proposal would have no fiscal impact on their organizations.

FISCAL IMPACT - State Government

FY 2013
(10 Mo.)

FY 2014

FY 2015

**WORKERS' COMPENSATION
FUND**

Savings - Department of Labor and
Industrial Relations

Postage, toner, and paper

\$75,000

\$75 000

\$75,000

**ESTIMATED NET EFFECT ON
WORKERS' COMPENSATION
FUND**

\$75,000

\$75 000

\$75,000

**UNEMPLOYMENT
COMPENSATION
ADMINISTRATION FUND**

Savings - Department of Labor and
Industrial Relations

Section 288.205

Salary and benefits

\$63,805

\$78,480

\$80,442

Section 288.130

Wage report processing cost

\$22,952

\$22,952

\$22,952

Section 288.160 and 288.170

Mailing cost

\$25,300

\$25,300

\$25,300

**ESTIMATED NET EFFECT ON
UNEMPLOYMENT
COMPENSATION
ADMINISTRATION FUND**

\$112,057

\$126,732

\$128,694

SS:LR:OD

FISCAL IMPACT - Local Government

FY 2013
(10 Mo.)

FY 2014

FY 2015

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

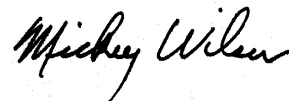
FISCAL DESCRIPTION

This proposal would modify certain provisions relating to the Workers' Compensation and Unemployment Compensation programs.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
 Division of General Services
Department of Conservation
Department of Labor and Industrial Relations
Department of Transportation
University of Missouri



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Director
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